TALKING POINTS

As already mentioned, most primary aluminum is being sold increasingly on a commodity basis. In a commodity business, the most important determinant of profitability is your relative cost position.

Despite the fact that ARCO's aluminum reduction operations are technically efficient, our overall cost position is above average because of relatively high electrical power and alumina costs.

We are making every effort to reduce our primary costs by trying to reduce our high cost Aughinish alumina positions, lowering production costs at the Alpart refinery, and further enhancing the efficiencies of the two smelters. And we don't think our power costs at Columbia Falls and Sebree will rise at a rate much, if at all, above the industry average.

Nevertheless we are faced with the fact that neither of our smelters is likely to ever become much better than average cost.

RELEVANT FACTS

See attached.

[Slide does not include transport to Logan, a cost of 2.5 - 3.0 cents for many]

ARCO PRIMARY ALUMINUM PRODUCTION COSTS, 1982

- FULL PRODUCTION ASSUMED
- COSTS LESS DEPRECIATION & INTEREST
- COSTS INCLUDING TRANSPORTATION TO THE U. S. MIDWEST
- POWER COSTS/COST SAVINGS PROGRAMS ASSUMED
  (TIP/ALPART IMPROVEMENT/SEBREE WIDE ANODES & 4TH LINE)
- NORTH AMERICA

ALCAN	58¢
NORTH AMERICA	69¢
ALCOA	70¢
U. S.	71¢
ARCO	71¢
SEBREE	69¢
COLUMBIA FALLS	72¢

- FREE WORLD

25% BELOW	58¢
50% BELOW	70¢
75% BELOW	72¢
100% BELOW	95¢

SEBREE	47TH PERCENTILE
COLUMBIA FALLS	64TH PERCENTILE
ARCO	53RD PERCENTILE

COST REDUCTION PROJECTS

TECHNOLOGY IMPROVEMENT PROGRAM

CAPITAL SPENDING:	$ 30MM
COMPLETION DATE:	1989
UNIT SAVINGS: (1983 $)	5¢/LB
ANNUAL SAVINGS: (1983 $)	$ 17MM

ALPART IMPROVEMENT PROGRAM

CAPITAL SPENDING:	$ 50MM
COMPLETION DATE:	1987
UNIT SAVINGS: (1983 $)	$ 37/TON
ANNUAL SAVINGS: (1983 $)	$ 11MM

LARGER AREA ANODE

CAPITAL SPENDING:	$ 5MM
COMPLETION DATE:	1984
UNIT SAVINGS: (1983 $)	1¢/LB
ANNUAL SAVINGS: (1983 $)	$ 3MM